



Coast Guard Flag Voice 61

FY 2000 COMPENSATION CHANGES

In earlier Flag Voices, I discussed efforts to increase compensation and fix the retirement system. The recently-approved FY 2000 Defense Authorization Bill includes several provisions that move us in the right direction. As the Fleet Reserve Association noted, "These measures constitute the most significant improvements for service members in almost two decades."

Pay Increase. The 1 January 2000 pay raise is set at 4.8%, representing a 0.4 percent increase over what the President's FY00 Budget requested. Congress also established FY01-06 pay raises on the basis of the Bureau of Labor Statistics' Employment Cost Index (ECI) + 0.5%. (The ECI is a series of indices that measure private sector employment cost changes; one index measures changes in salaries and wages from year to year.)

The President's budget request, submitted to Congress in February 1999, contained a 4.4 percent pay increase. Congress boosted the pay increase to 4.8 percent, making it the military's largest since 1981. In addition, for six years (January 2001-2006) successive pay increases will exceed private sector wage growth, as measured by the ECI, by one-half of one percent (0.5%). So, if the Index is, say, 3.9 percent, the military increase must be 4.4 percent. These initiatives will reduce the existing military-private sector pay gap from 13.5 percent today to approximately 9 percent after six years.

Pay Table Reform or Targeted Pay Increase. On 1 July 2000 a targeted pay raise ranging from 0-5.5 percent, depending on grade and years of service, becomes effective. The current pay tables were established in 1949; few changes have been made since, except for adding E-8 and E-9 pay grades in the late 1950s. The last two Quadrennial Review of Military Compensation panels recommended pay table reform, now finally accomplished in the FY 2000 authorization. Pay table reform emphasizes performance rather than longevity. In the current pay tables, about one-fourth of pay increases are tied to promotions and three-fourths to longevity. Also called a "targeted" pay increase, pay table reform affects the whole pay table and its effects are everlasting. The 1 July increases are less a "raise" than a permanent correction to past pay table distortions.

On 1 July 2000, 75 percent of all service members will receive pay increases ranging up to an additional 5.5 percent. With the 4.8 percent pay raise from January figured in, some members will receive increases totaling 10.3 percent in FY 2000.

Although this is a one-time pay table adjustment, what's important to remember is not what increase you get on 1 July, but the raises you will get if you stay in the Service and perform well. Look at where you can expect to be in five years rather than where you are now.

The Authorization Bill calls for 75 percent of the money devoted to pay table reform to correct imbalances in the enlisted pay table. With this reform, 53 percent of the increases members receive during their careers will occur with promotions vs. 47 percent due to longevity. Further, the raises increase as you go up the ranks.

Additional BAH Amount. In an effort to reduce the burden of housing costs on military personnel, Basic Allowance for Housing (BAH) implementation is authorized to accelerate this year instead of gradually increasing for the next three years. However, late breaking news indicates that all the funding necessary to do this in one year is not likely to be available. The exact funding level is not known at this time.

Retired Pay Reform and REDUX. Affected personnel who entered after 31 July 1986 under the '40% retirement system' known as "REDUX" now have the option to retire under the pre-1986 military retirement plan or accept a one-time \$30K lump sum bonus and remain under the REDUX retirement plan. Members would choose their retirement program within 180 days of completing 15 years of service.

All the Services campaigned to restore equity to military retirement benefits. Survey results indicated REDUX was impairing retention. Concerned the issue might become an even more serious problem, legislation was initiated to repeal REDUX. Members now can retire either after 20 or more years of service and receive 50 percent of their average HIGH-3 years of basic pay with full cost of living adjustments (COLAs) or remain under the REDUX program, which offers only 40 percent of HIGH-3 basic pay. Those selecting REDUX face reduced retired pay COLAs, but qualify for a \$30,000 bonus at 15 years of service. Members must commit to at least 20 years of service to receive the bonus.

Increase in Maximum Diving Duty Special Pay Rates. The maximum monthly amount payable to military divers has increased by \$40 to \$240 for officers and \$340 for enlisted divers. Also, members receiving diving special pay were limited to receiving only one hazardous duty incentive pay (HDIP). Divers now may receive two HDIPs in addition to their diving pay.

Temporary Lodging Expense (TLE) for First-Term Enlisted. This provision authorizes paying TLE to first-term enlisted members on initial Permanent Change of Station.

Participation in Thrift Savings Plan (TSP). This provision authorizes Service members to participate in the TSP without government matching. TSP begins in 2001 if Congress passes additional legislation. TSP implementation is contingent on enacting qualifying off-setting legislation. Active and reserve members authorized to participate in the Federal Civil Service Thrift Savings Program can contribute up to 5% of basic pay plus bonuses, special pays, and incentive pays up to \$10,000 per year. The government will not match contributions except, perhaps, in the case of critically skilled members who agree to commit themselves for 6 years.

Dual Compensation Repeal. Effective 1 October 1999, Congress repealed the dual compensation law,

including both its regular officer off-set and the Executive Level cap. Under these provisions, if retired regular officers worked for the Federal Government after retiring, they forfeited 50 percent of their retired pay over \$10,450. In addition, the dual comp law limited their combined retired pay and civil service salary to Executive Schedule Level V (\$110,700) unless they occupied an Executive Level position, in which case they forfeited all their retired pay.

All in all a solid package of increased compensation that will benefit every military member!

Regards, FL Ames



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